

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke Energy)
Ohio, Inc. to Adjust Rider AU for 2016 Grid) Case No. 17-690-GA-RDR
Modernization Costs.)

**COMMENTS BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

I. INTRODUCTION

On March 24, 2017, Duke Energy Ohio, Inc. (“Duke” or “Utility”) filed an Application to adjust Rider-AU for 2016 grid modernization costs associated with its gas operations and asks its customers to pay for this grid modernization.¹ The Utility seeks to collect from customers 2016 operation and maintenance and capital-related expenses associated with its 2016 investment in grid modernization and related systems associated with gas service. The current monthly rate for Rider AU for all classes is \$0.92 and the proposed rate is \$0.80.²

In a separate docket, on March 2, 2017, Duke filed an Application to increase distribution rates for its electric customers.³ This rate case was precipitated through a determination by the PUCO Staff that on October 22, 2015, Duke’s smart grid program was determined be fully deployed. In 2012, Duke agreed to file an electric distribution

¹ Application (March 24, 2017).

² Laub testimony at Att. PAL-1, page 16.

³ *In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates*, Case No. 17-32-EL-AIR (March 2, 2017).

rate case in the first year after the PUCO Staff determined that SmartGrid was fully deployed.⁴

In support of its rate case application, the Utility filed the testimony of Donald Schneider, who speaks about the Utility's current state of the advanced metering infrastructure ("AMI") environment and its plans to address numerous obsolescence issues related to its smart grid program. Witness Schneider states that an important piece of hardware used for communication purposes on the gas meters is no longer being manufactured and consequently Duke will need to replace its gas communication modules and communication nodes.⁵ These gas communication modules and communication nodes are part of the investment that the Utility is currently charging customers a return on and of through Rider-AU.

In addition, as part of Duke's electric distribution rate case, it has proposed to transition from its recently deployed node communications network to a mesh communications network for both gas and electric.⁶ This would mean that Duke would replace the meters and the Energy Data Management System (EDMS) that is currently being used for gas service that was deployed as part of the gas SmartGrid program. Again, the meters and EDMS are investments that the Utility is currently charging customers a return on and of investment, through Rider -AU.

Finally, in its testimony in support of its rate case application, Duke informed the PUCO that it is required by Verizon to transition from the current 2G or 3G cellular

⁴ *In the Matter of the Application of Duke energy Ohio, Inc. to Adjust Rider DR-IM and Ride AU for 2010 SmartGrid Costs and Mid-Deployment Review*, Case No. 10-2326-GE-RDR, Opinion and Order at 15 (June 13, 2012).

⁵ *Id.* Schneider testimony at 10 (March 16, 2017).

⁶ *Id.*

environment to 4G. The network investment costs are investments that the Utility is currently charging customers a return on and of the investment, through Rider-AU.

So even though the SmartGrid program has been fully deployed for less than two years, Duke now proposes in a separate docket that customers pay an additional \$45 million just to replace its gas meter reading system-- the system that was utilized as part of the gas grid modernization initiative that customers are still paying for through Rider - AU.⁷ This ask is in addition to what customers have paid over the last seven years for gas SmartGrid technology.

II. COMMENTS

In this case, customers pay for SmartGrid technology to automate the meter reading functions on their gas meters. But, as demonstrated in Duke's electric distribution rate case filing, Duke intends to replace the newly installed gas meter reading technology that customers have and are continuing to pay for in this docket, with a newer technology.

The SmartGrid technology customers are paying for now (through Rider AU) is being used for obtaining meter reads of gas customers' consumption. The technology has been installed over the last several years, but was not fully deployed until October 22, 2015. It is unfair and unreasonable for Duke to require its customers to be double charged: once for what are now alleged (for the first time, in another case), to be obsolescent gas SmartGrid technology and then the second time charged to entirely replace this technology in its electric rate case.

⁷ Id, at Att. DLS-1, page 1.

Before allowing Duke to charge customers to replace a meter reading system that was put in place two years ago, and that customers are still paying for, the PUCO needs to better understand if the current hardware and communication systems for gas meters are operating effectively. This includes a determination if the gas technology is sustainable for the purpose of obtaining a periodic monthly gas meter reads for the purpose of billing customers.

If the existing technology is not sustainable, and will become obsolete, then the PUCO must determine what happens. Consumers should be protected from the potential of paying twice for the same service. If indeed, the existing technology is becoming prematurely obsolete and unsupportable by current technology, then it would be unfair for customers to bear the entire risk of paying for any remaining undepreciated rate base balances through Rider AU.

Under those circumstances, a determination should be made regarding the prudence of the Utility's decision to invest in the recently deployed node communications network in the first place. Given this fact, combined with the recently disclosed information regarding the premature obsolescence of this technology, it seems clear that consumers should not bear the risk of any undepreciated rate base for obsolete equipment that is no longer used and useful.

Additionally, the PUCO will have to determine if the upgrades that Duke alleges are needed (for electric meter reading) are necessary for natural gas customers. The PUCO should order an independent review, funded by shareholders, that looks at whether Duke's gas meter reading system is sustainable for serving gas customers before any

additional money is spent and charged to consumers for upgrading or replacing this system.

III. CONCLUSION

Millions of dollars have been collected from customers under Rider AU. Now at a time when Duke's SmartGrid program is fully deployed, Duke appears to believe the gas meters installed as part of the program are obsolete and should be replaced. Yet customers are still paying for the so called obsolete gas meters. If Duke's rate case recommendations are followed, customers risk paying twice when they may not need to do so. Additionally, to the extent that it is determined that the gas meter reading system is obsolete, the PUCO should examine who bears the risk of that obsolescence -- customers or shareholders, and in what proportion.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of these Comments was served on the persons stated below via electronic transmission, this 21st day of July 2017.

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Summary: Comments Comments by The Office of the Ohio Consumers' Counsel
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